

2016

PUBLIC HEALTH & SAFETY BOND

Quarterly Update



San Francisco
Health Network

SAN FRANCISCO DEPARTMENT OF PUBLIC HEALTH



ZUCKERBERG
SAN FRANCISCO GENERAL
Hospital and Trauma Center

Full Health Commission (Virtual)
January 4, 2022

Topics & Presenters



Bond Overview– Mark Primeau (DPH)



Budget/Bond Sales and Bond Component Budget
- Mark Primeau (DPH)



COVID-19 Impacts and Strategies to Manage Budget Challenges
- Terry Saltz/Mark Primeau (DPH)



Project Updates
- Joe Chin (SF Public Works)



Coordination w/ UCSF Research Center Project
- Mark Primeau (DPH)/Alicia Murasaki, (UCSF)

Bond Sales

	1st Bond Sale Jan 2017	3rd Bond Sale Oct 2020	Total
Sale Amount (All PHS components)	\$173.1M	\$126.9 M	\$300.0 M
% Bond Rate	2.99%	2.53%	
Budget (DPH components only)	\$146.5 M	\$125.5 M	\$272.0 M ²
Expended/Encumbered	\$138.9 M ¹	\$31.6 M ¹	\$170.5 M ¹
% Expended/Encumbered	95%	25%	63%

1. PeopleSoft financial data as of 9-30-2021. Financial data are subject to revision based on ongoing Public Works labor and non-labor clean-up effort).
2. The Budget numbers indicated are only showing the DPH portion of the bond, totaling to \$272 M
3. \$350M is the total 2016 PHS Bond Budget that provides funding for six components (3 of 6 are DPH components). The Total Sale Amount does not add up to \$350M because it not include 2nd Bond Sale amount, which did not provide funding for any DPH components.

Project Budget: ZSFG Building 5

Total Budget: \$205.2 Million

	Bond Budget	Other Fund Sources ⁵	Bond Expended as of 9/30/2021 ³	% Expended/ Budget	Bond Encumbered as of 9/30/2021 ^{3, 4}	% Bond Expended+ Encumbered/ Budget	Bond Forecast
Purchase, Construction, & Mobilization	\$124,801,655	\$11,400,000	\$ 25,101,702	20.1%	\$23,174,028	38.7%	\$124,801,655
Project Control	\$75,796,338	\$0	\$ 57,005,333	75.2%	\$4,994,744	81.8%	\$75,796,338
Other Program Costs ²	\$2,400,000	\$0	\$0	0.0%	\$0	0.0%	\$2,400,000
Finance Costs ¹	\$2,242,889	\$0	\$1,631,834	72.8%	\$0	72.8%	\$2,242,889
Total	\$205,240,882	\$11,400,000	\$ 83,738,868	40.8%	\$28,168,772	54.5%	\$205,240,882

1. Finance Costs include Underwriter's discount, cost of issuance, GO oversight committee fee, Controller's audit fees, totaling \$1,631,834. Because the total Finance costs for the 1st sale include all 3 agencies and 3rd sale includes 2 agencies, DPH has segregated out it's portion of the finance costs.
2. Other Program costs include Program Contingency.
3. PeopleSoft financial data as of 9-30-2021. Financial data are subject to revision based on ongoing Public Works labor and non-labor clean-up effort.
4. \$18M has been allocated from Building 5 component to fund CHC Component Projects
5. Other Fund Sources include \$11.4M (PES-2020 HR Bond); capital campaign, SFGH Foundation (\$TBD); bond interest earnings, etc.

Project Budget: Community Health Centers

Total Budget: \$66.8 Million

	Bond Budget	Other Fund Sources ⁵	Bond Expended as of 9/30/2021 ³	% Expended/ Budget	Bond Encumbered as of 9/30/2021 ^{3, 4}	% Bond Expended+ Encumbered/ Budget	Bond Forecast
Purchase, Construction, & Mobilization	\$40,521,428	\$6,545,000	\$29,874,701	73.7%	\$8,735,307	95.3%	\$40,521,428
Project Control	\$22,198,192	\$2,805,000	\$19,488,226	87.8%	\$1,036,406	92.5%	\$22,198,192
Other Program Costs ²	\$3,315,651	\$0	\$0	0.0%	\$0	0.0%	\$3,315,651
Finance Costs ¹	\$723,848	\$0	\$529,691	73.2%	\$0	73.2%	\$723,848
Total	\$66,759,119	\$9,350,000	\$49,892,618	74.7%	\$9,771,712	89.4%	\$66,759,119

1. Finance Costs include Underwriter's discount, cost of issuance, GO oversight committee fee, Controller's audit fees, totaling \$431,018. Because the total Finance costs for the 1st sale include all 3 agencies, DPH has segregated out it's portion of finance.
2. Other Program Cost include Program Contingency (\$2.6M) and Project Reserves (\$715K).
3. PeopleSoft financial data as of 9-30-2021. Financial data are subject to revision based on ongoing Public Works labor and non-labor clean-up effort.
4. \$18M has been allocated from ZSFG Building 5 Component to CHC Projects
5. Other Fund Sources includes FEMA (\$1.6M), PUC (\$750K), Mayor's Budget Office (\$1.8M), MHSA (\$3.2M), OCII (\$2M), bond interest earnings (\$ TBD), etc.

ZSFG BLDG 5 CURRENT CONSTRUCTION COSTS SUMMARY

	DPH 2016 Budget/Estimate	City Cost Estimate	Pankow Budget	Actual Bid Prices**	Delta (Bid vs Budget)	Delta (%)
P1 - Seismic Upgrade	18,930,538	19,309,120	19,693,108	22,880,785	3,950,247	21%
P2 - Dialysis	9,300,000	10,213,549	10,553,205	14,406,526	5,106,526	55%
P3 - Public Health Lab	13,000,000	14,999,920	15,620,474	19,828,148	6,828,148	53%
P8 - Clinical Laboratory	3,400,000	3,365,714	3,655,861	5,476,606	2,076,606	61%
P6 - Psychiatric Emergency Services Early Demo	724,607	724,607	508,906	1,062,824	338,216	47%
P4 - IT Infrastructure***	7,100,000	11,290,890	11,899,877	20,329,909	13,229,909	186%
	52,455,145	59,903,801	61,931,430	83,984,798	31,529,652	60%

* All data in table reflects only direct construction costs and does not include general conditions and project controls costs, etc.

** Bid pricing amounts are subject to change pending final negotiation, completion of bidding, and award of trade packages

*** Electrical bid package is approx. \$8M higher than estimate. HazMat/Infection Control bid package is \$600K higher than estimate. Proceeding with value engineering/de-scoping to better align with project budget.

Bidding Status

- P1 – Seismic Upgrade (99% Complete)
- P2 – Dialysis Relocation (99% Complete)
- P3 – Public Health Lab (99% Complete)
- P8 – Clinical Laboratory (95% Complete)
- P6 - Psychiatric Emergency Services ED (95% Complete)
- P4 – IT Infrastructure (75% Complete)

COVID-19 IMPACTS ON PROJECT COSTS

Project Budget Cost Drivers

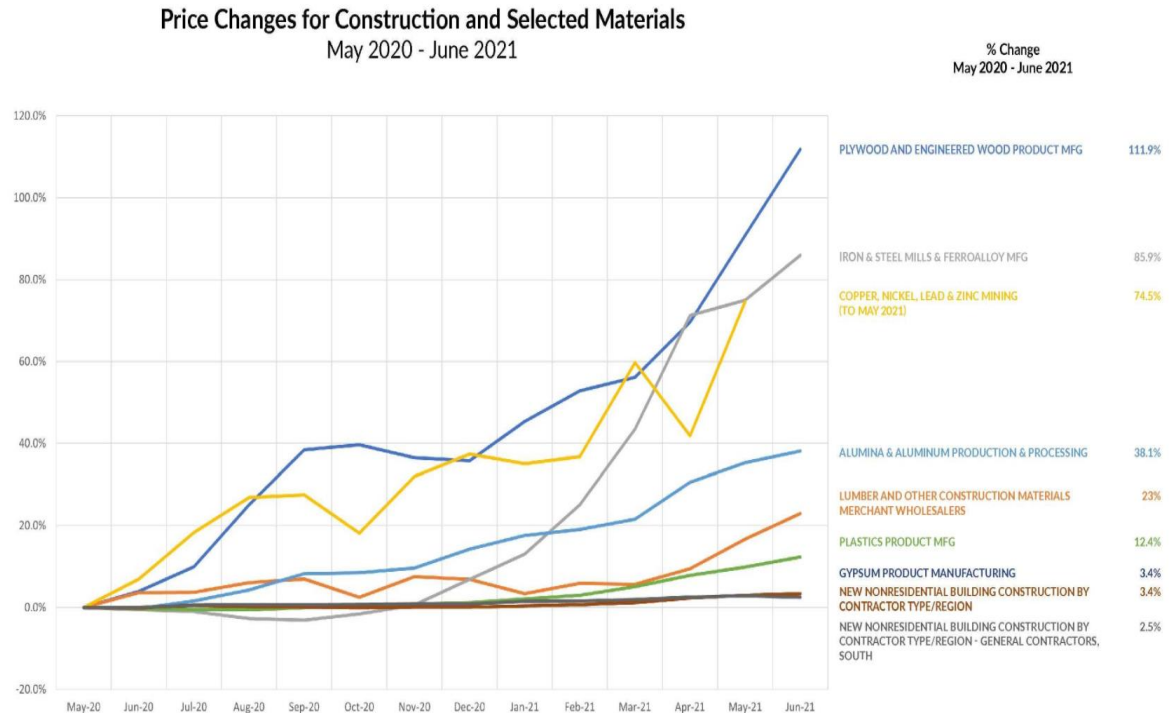
Cost Driver #1 – Unprecedented material cost escalation / supply chain delays

Cost Driver #2 – Construction market shifting to residential construction

Cost Driver #3 – Construction in Building 5 is challenging

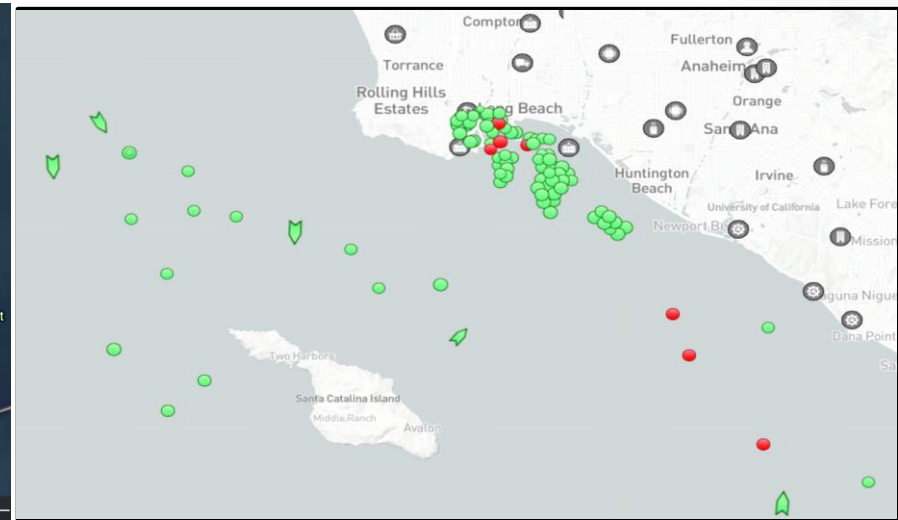
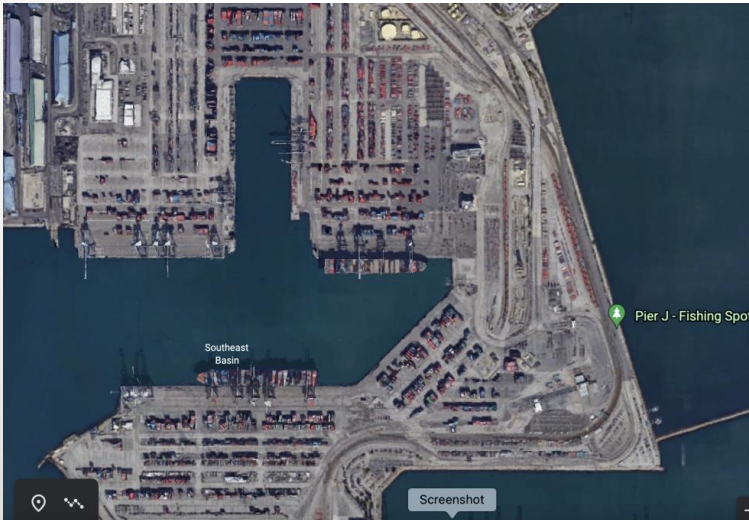
Cost Driver #4 – COVID-19 Health Order Cost Impacts

Cost Driver #5 – Challenging Bid Environment



Source: Bureau of Labor Statistics, Producer Price Index (PPI) Industry Data

COVID-19 IMPACTS ON PROJECT COSTS / SUPPLY CHAIN DELAYS



STRATEGIES TO MANAGE BUDGET CHALLENGES

Costs and Risk Management

- Clarify scope to better align design scope with bid pricing
- Modify trade package documents to avoid subcontractor's higher pricing based on "assumed" risks. Pankow Builders and DPH/DPW will actively manage the risks.
- More direct outreach by Pankow Builders to the pre-qualified subcontractors to submit bids to allow for competitive pricing and create a larger trade partner bidding pool.
- Re-package bid packages into smaller bid packages to allow for targeted negotiation for discrete scopes and self-perform work by Pankow Builders
- Educate trade contractors on the LBE requirements
- Create early demolition packages to avoid unforeseen conditions during construction (e.g. Psychiatric Emergency Services)
- Value Engineering (de-scope) to better align bid prices with budget
- Incorporate lessons learned from current projects
- Experts is forecasting a slow recovery in upcoming 2021 for the construction industry
- Utilize alternate funding sources to supplement bond funding
 - ❑ Funding Received - \$11.4M from 2020 Health & Recovery Bond, FEMA (\$1.6M), Mayor's Office (\$1.8M), PUC (\$750K), MHSA (\$3.2M), OCII (\$2M), program contingencies (\$2.4M)
 - ❑ TBD Funding - 2016 interest earnings (\$TBD), capital campaign/ZSFG Foundation (\$TBD))

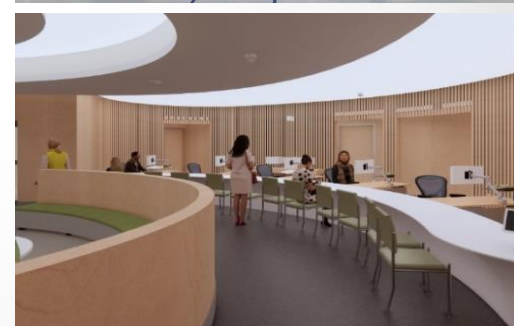
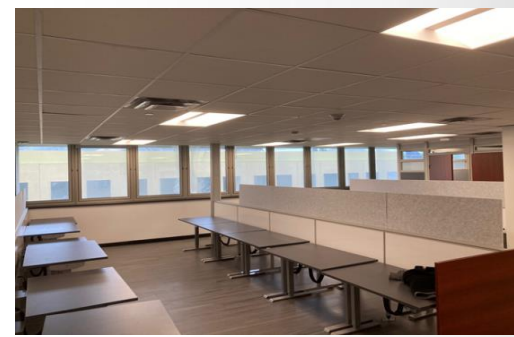
ZSFG Building 5 – Project Updates

Projects in Bidding/Construction:

- **6H Surge Space**
 - ❑ New space buildout and FF&E installation completed. Only pending issue is completion of code required fire alarm scope
- **Rehabilitation Department Relocation**
 - ❑ Phase 1 received OSHPD issued substantial completion on 11/2/2021. DPH has proceeded with the CDPH licensing process.
- **Dialysis and Public Health Laboratory (PHL)**
 - ❑ Ongoing early scopes. Main scopes to start pending the completion of licensing for Rehab Department
- **Seismic Upgrade (SU)**
 - ❑ Proceeding with seismic joint within Pharmacy Clinic. Resuming exterior sawcut at various locations
- **CM/GC Contract (8 projects)**
 - ❑ Completed bidding completed for 5 projects (P1-P3, P8, P6 ED)
 - ❑ IT Infrastructure (P4) - negotiating electrical bid package, including value engineering to de-scoping better align bid pricing with budget

Projects in Design:

- **Family Health Center** – OSHPD plan review ongoing
- **Psychiatric Emergency Services (PES)** – Target to submit to OSHPD by end of Nov 2021



Community Health Centers – Project Update

Southeast Health Center (District 10 – Walton)

- Building façade and roofing completed in order to winterize the building prior to rainy season
- Interior framing/drywall, MEP, and fire alarm ongoing
- Targeting to receive permanent electrical power by the end of November 2021.
- Targeting Phase 1 (building) Substantial Completion early 2Q, 2022



Maxine Hall Health Center (District 5 – Preston)

- Achieve Substantial Completion on October 7, 2021
- Started seeing patients on October 15.
- Ribbon-cutting Ceremony on November 10.



Castro Mission Health Center (District 8 – Mandelman)

- NTP issued on 1/11/2021
- Haz mat abatement and demolition completed on 1st and 2nd floor



UCSF Research and Academic Building

Design

Permits

COVID -19 & Permit Appeals

Mar 2020

Roadway Construction

Aug 2020

May 2021

Research Building Construction

Sep 2020

Winter 2023

Overall Construction 58% complete

Move In

Summer 2023

We are here
(Dec 2021)



2020

2023

Questions?



San Francisco Department of Public Health

Appendix

1st and 3rd Bond Sales Budget and Allocation

Public Health and Safety Components/Projects		Bond Authorization	Original Bond Budget	Revised Bond Budget (Appropriated)	1st Bond Sale	3rd Bond Sale
1	ZSFG Building 5 Seismic Upgrade and Outpatient Improvements Program (DPH)	\$222,000,000	\$218,723,000	\$203,436,456	\$95,755,942	\$107,680,514
2	Southeast Health Center Renovation (Phase 1) and New Addition (Phase 2) Program (DPH)	\$30,000,000	\$29,700,000	\$37,467,673	\$32,868,048	\$4,599,626
3	Community Health Centers Improvement Program (Various Locations) (DPH)	\$20,000,000	\$19,800,000	\$28,567,598	\$17,857,306	\$10,710,291
	Oversight, Accountability, and Cost of Issuance / Underwriter's Discount	\$0	\$3,777,000	\$2,528,273	\$1,613,539	\$914,735
Total		\$272,000,000	\$272,000,000	\$272,000,000	\$148,094,835	\$123,905,165

- \$3.7M is an estimated amount allocated for General Obligation bond related costs (oversight, accountability, COI, etc.). The amounts listed under 1st and 3rd Bond Sales are actual amounts.

BOND PROGRAM IMPACTS

**2015
DPH Capital
Project
Estimate
\$535M**

COVID-19 Health Orders Issued

- Mayor Approved \$272M
- DPH Identified 19 ZSFG & 4 Clinic Core Projects
- DPH Cost/Sq Ft Estimate based on an assumed \$272M
- PHS Bond approved by voters

Nov 2016

March 2020

Oct 2020

March 2021

April 2021



Planned Core Projects
 Chinatown Public HC (CPHC)
 Castro Mission HC
 Maxine Hall HC
 Southeast HC
 ZSFG B5 Seismic Improvement
 ZSFG B5 Infrastructure Improvement
 ZSFG B5 Clinical Improvement
 ZSFG B5 IT Improvement

- ZSFG bond budget reduction to support shovel-ready HC projects
- Projects Deferred: CPHC; ZSFG: 4E, MHRC, Fire Sprinkler, Mechanical
- Cost Estimate Impacted Project Scopes
- Ongoing Cost Estimates at Design Milestones

- Ongoing Reconciliation of Estimates
- CMGC Interim Estimate - 7% -41% Higher Than DPH Budget

- Bids received on 3 projects
- 21% -56% Higher Than Pankow Estimate

Dec 2020

- Estimate reconciliation results in increase project costs

COVID-19 IMPACTS

- Supply Chain
- Material Costs
- Market Uncertainties
- Bidder Risk Avoidance
- Social Distancing
- Access to Job Site
- Occupied Building

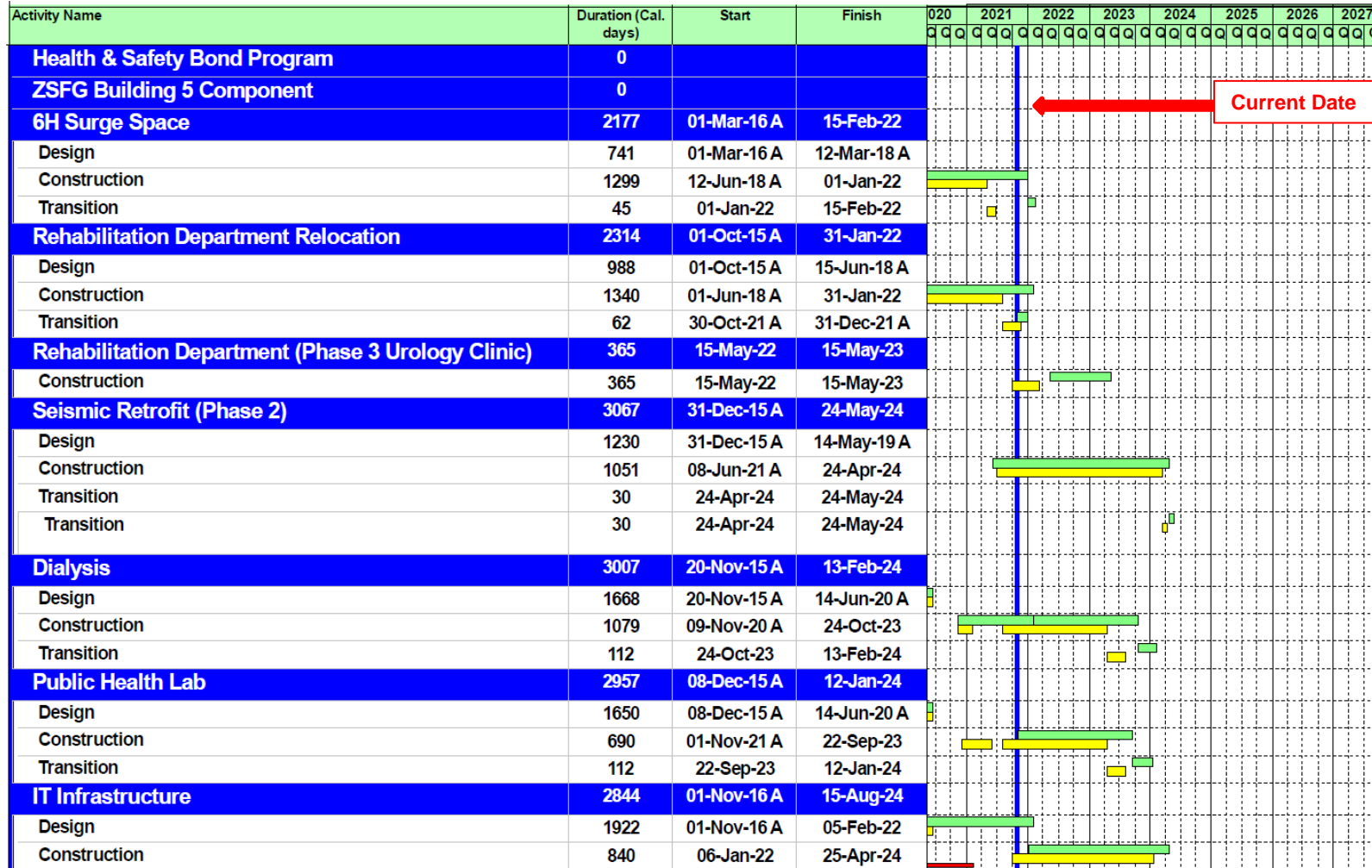
Unforeseen Impacts

- Code changes reduces seismic performance to SHR-4
- City Planning - Historical review of clinics due to building age
- Enabling Work - Temporary Clinics during construction
- Existing hazardous materials
- Aging infrastructure

Other Potential Supplemental Fund Sources

FUND SOURCE TYPE	FUND SOURCE DESCRIPTION
A	2016 BOND PROGRAM CONTINGENCY - \$5 M
B	CAL OES/FEMA HAZARD MITIGATION GRANT: \$ 1.63 M (Castro Mission HC)
C	BOND INTEREST EARNINGS: \$3.5M - \$5M (DEPENDENT ON MARKET CONDITIONS OF 2ND SALE)
D	DONOR- PHILANTHROPY: \$ TBD
E	PUC ENERGY GRANT DOLLARS: TBD, \$500,000 TARGET
F	2020 HEALTH AND RECOVERY BOND PROGRAM (\$11.4M for PES Project)
G	REIMBURSEMENT OF BOND ELIGIBLE EXPENSES APPLIED TO A FUTURE DPH BOND: \$500,000 - \$1,500,000 (e.g. Chinatown Public HC)
H	DPH REVENUE/SAVINGS -APPROVED BY MBO FOR USE ON CAPITAL: \$ TBD
I	MHSA & OCII funding and PUC funding (Southeast HC): \$3-\$6.25M

PROGRAM SCHEDULE SUMMARY



- Current Activity
- Baseline Activity
- Prev. Reported Activity

Legend:

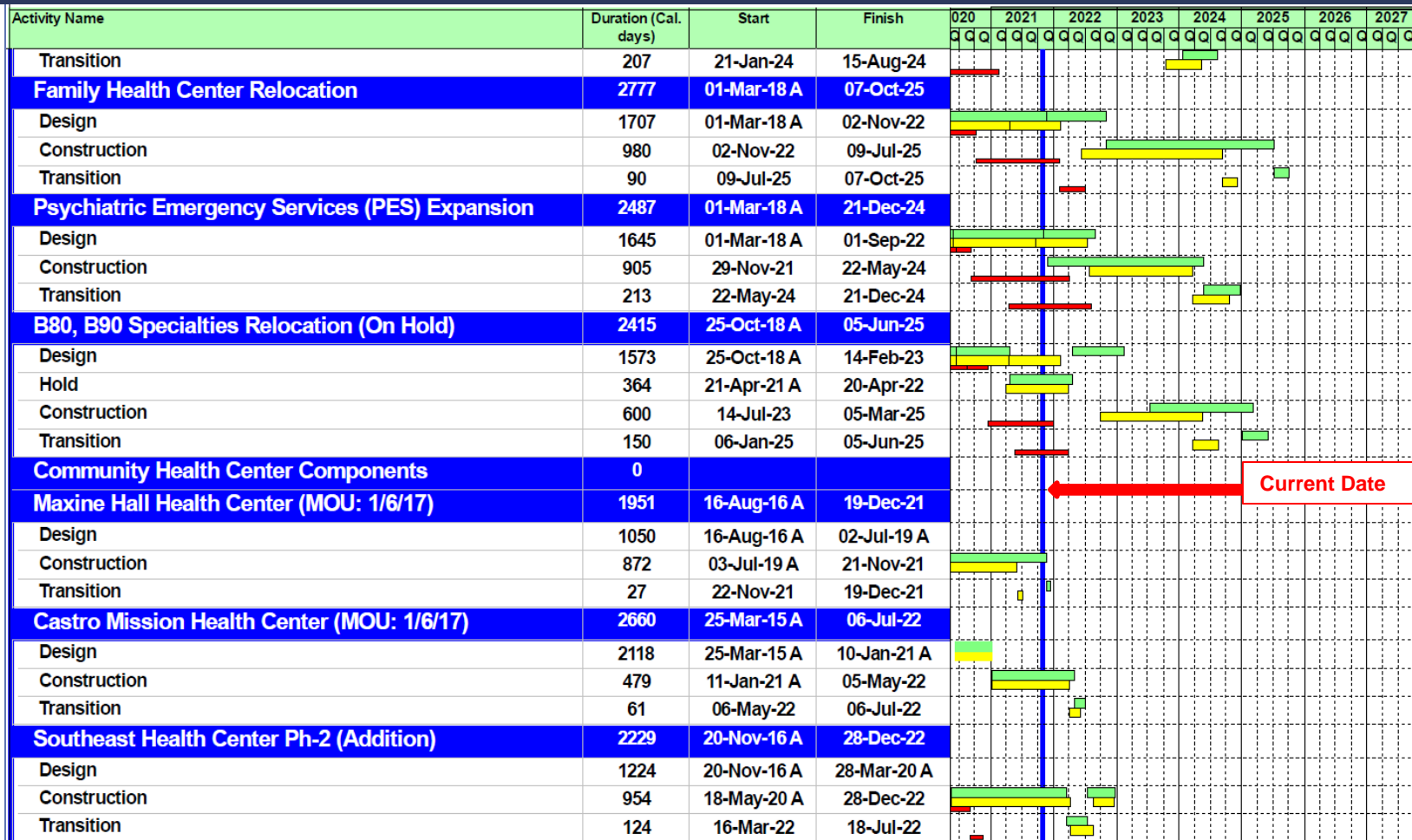
Design: Programming, Design, Permitting, and Bid & Award

Construction: NTP, Construction, and Punchlist

Transition: FF&E, Training, and Licensing

*Estimated Dates as December 2021

PROGRAM SCHEDULE SUMMARY



Current Date

- Current Activity
- Baseline Activity
- Prev. Reported Activity

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Legend:

Design: Programming, Design, Permitting, and Bid & Award

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